

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

February 6, 2004

IN RE:

**APPLICATION OF APPALACHIAN POWER
COMPANY (AMERICAN ELECTRIC POWER)
FOR FINANCING FOR YEAR 2004.**

**DOCKET NO.
03-00503**

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Director Pat Miller, Director Sara Kyle, and Director Ron Jones of the Tennessee Regulatory Authority (the "TRA" or "Authority"), the voting panel assigned to this Docket, at the regularly scheduled Authority Conference held on January 5, 2004 to consider the Application of Appalachian Power Company ("APC") requesting authority to enter into certain financing transactions through December 31, 2005

Statutory Framework

Tenn. Code Ann § 65-4-109 states that

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [TRA] for such proposed issue. It shall be the duty of the [TRA] after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [TRA]

Pursuant to this statutory authority, the TRA must determine whether the proposed financing transactions are in accordance with law and that the stated purpose meets with the TRA's approval

Background

APC, a subsidiary of American Electric Power ("AEP"), is a Virginia corporation authorized to transact business in the state of Tennessee. Although the majority of APC's customers are located

in Virginia, APC services Tennessee customers by providing power to Kingsport Power Company, also a subsidiary of AEP, and is, therefore, subject to the jurisdiction of the TRA

The Application

APC filed this Application with the TRA on September 8, 2003 seeking authorization, pursuant to Tenn Code Ann § 65-4-109, to issue and sell 1.2 billion dollars of secured and unsecured debt, including one or more promissory notes to AEP, at various times through December 31, 2005, at an interest rate yet to be determined. Because Virginia is APC's principal place of business, this Application has been held in abeyance pending resolution of a similar application that had previously been filed with the Virginia State Corporation Commission ("VSCC"). A final decision from the VSCC was issued in Case No. PUE-2003-00407 on December 4, 2003, in which APC's financing authority was reduced to 500 million dollars and the time frame during which the debt may be offered was shortened to December 31, 2004. The VSCC also ordered APC to provide a thirty-day notice of each debt issuance with the following additional information: type of security to be issued with associated interest rates, maturities, net proceeds, and expenses.

On December 8, 2003, APC amended its Application with the TRA to reflect the above-referenced modifications. In this amendment, APC states that a minimum of 300 million dollars will be used to refinance existing debt. The remaining 200 million dollars may be used for the redemption of preferred stock, for construction-related expenses, and for other corporate purposes. In all other respects, the Application remains as originally filed.

The January 5, 2004 Authority Conference

At the January 5, 2004 Authority Conference, the Directors found, in accordance with the requirements of Tenn Code Ann § 65-4-109, that the proposed financing transactions are in compliance with Tennessee laws over which the TRA has authority and are to be used for a proper purpose and, thus, voted unanimously to approve APC's Application, subject to the proviso and notice requirements outlined in the order of the VSCC.

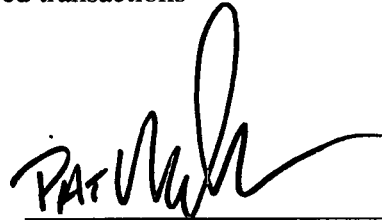
IT IS THEREFORE ORDERED THAT:

1 Appalachian Power Company is authorized to enter into financing transactions, as described in the Application as amended and herein, through December 31, 2004

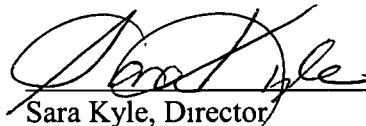
2 APC shall file in this Docket copies of any reports, notices, or requests for further authorization that it is required to provide to the Virginia State Corporation Commission

3 The authorization given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring that an analysis or assessment of the risk involved to a purchaser of any APC securities has been performed. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transaction approved herein

4 The authorization and approval given hereby do not represent any finding regarding the appropriate ratemaking treatment of these proposed transactions

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Pat Miller, Director

A handwritten signature in black ink, appearing to read "Sara Kyle", written over a horizontal line.

Sara Kyle, Director

A handwritten signature in black ink, appearing to read "Ron Jones", written over a horizontal line.

Ron Jones, Director